

Corporate Governance Statement

Introduction

Scape Group Limited (“the Company”) is a private limited company, wholly owned by six local authorities¹ and is one of the UK public sector’s leading providers of frameworks relating to construction, utilities and related services.

The Company has a number of wholly-owned subsidiaries² (“the Subsidiaries”), along with a joint shareholding with Nottinghamshire County Council in Arc Property Services Partnership Limited (“Arc”), (together “the Group”).

In the interests of accountability, fairness, responsibility, transparency, disclosure and risk management, the Company has adopted the Wates Principles of Corporate Governance (“the Wates Principles”), which reflect the requirements of The Companies (Miscellaneous Reporting) Regulations 2018. Commitment and adherence to the Principles ensures a high standard of corporate governance.

The six Principles are:

Principle 1: Purpose and Leadership

Principle 2: Board Composition

Principle 3: Director Responsibilities

Principle 4: Opportunity and Risk

Principle 5: Remuneration Matters

Principle 6: Stakeholders Relationship and Engagement

This statement is reviewed and refreshed annually by the Company’s Board of Directors (“the Board”).

Principle 1: Purpose and Leadership

The Wates Principles state:

“An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.”

The Board is responsible for the Group’s overall strategic direction and management and meets regularly to review, formulate and approve the Group’s strategy, budgets, corporate actions and oversee the Group’s progress towards its goals.

A clear corporate Mission Statement and organisational cultural behaviour and practices are integrated across all functions of the business. Effective monitoring through a variety of methods, including employee engagement surveys, helps ensure a healthy culture is embedded throughout the organisation. The Board sets and promotes a collective vision when

¹ The six local authorities who jointly own Scape Group Limited, in equal shares are: Nottingham City Council, Nottinghamshire County Council, Derby City Council, Derbyshire County Council, Gateshead Borough Council and Warwickshire County Council.

² These subsidiaries are: Scape Procure Limited, Scape Procure Scotland Limited, Scape Venture Limited, Scape Limited, Scape Re-Invest Limited, Scape Investments Limited, Lungfish Architects Limited and Construction Waste Portal Limited.

developing its strategy to generate long-term sustainable value. The Company has established a transparent Code of Conduct and has systems in place for raising a concern (i.e., robust whistleblowing policies) which are reviewed regularly to maintain their effectiveness in supporting the Company's behavioural culture and long-term goals.

The Group Chief Executive (GCE) and Chairman of the Board ("Chair") communicate regularly with the Company's shareholders. The Board has a set of Reserved Matters for Shareholders which is regularly reviewed in line with the growth of the business and corporate activities across the Group. The full Board is available to liaise and consult with the Shareholder Representatives who sit on the Shareholders' Oversight Board, the constitution and purpose of which is more fully described below (See Principle 6) at mutually agreed times.

Principle 2: Board Composition

The Wates Principles state:

"Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company."

The Board is committed to fostering a culture of compliance that values personal and corporate integrity, accountability and continuous improvement. The Board is independent and diverse.

There is a clear division of responsibilities between the Shareholders and Directors, clearly separating ownership from management. Whereas the Company's local authority Shareholders previously appointed Councillors to act as Directors, a change to the Company's constitutional arrangements now requires Council Officers to be appointed to serve as Directors, hence, resolving any confusion or conflict between a Councillor's responsibilities to their appointing Council and their constituents and a Director's duty at law to act independently and promote the success of the Company. This ensures that a balance of responsibilities, accountabilities and decision making across the Group is maintained.

The Company's Articles of Association empower the Board to appoint Independent Non-Executive Directors ("NEDs") and the Board is at the date of this Statement reviewing its options in this regard prior to the making of such appointments. Once appointed, the Independent NEDs will play a pivotal role in creating the conditions for overall Board and individual director contributions and effectiveness.

The Company is committed to ensuring that the composition of the Board continues to comprise directors who possess the diversity of skills and experience required to fulfil the role and responsibilities of the Board. The Independent NEDs will constructively challenge and help develop strategy and review business performance against the agreed goals and objectives. Independent NEDs will bring core competencies such as accounting, finance, business and management experience, industry knowledge, strategic planning experience, in addition to perspectives from outside the sectors in which the Group operates.

Decisions of the Board are made by majority voting, although there are a number of Reserved Matters (as referred to above and more fully described in Principle 6 below) where Shareholders' unanimous consent must be obtained before any action can be taken.

Principle 3: Director Responsibilities

The Wates Principles state:

“The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision-making and independent challenge.”

The Board is responsible for organising and directing the affairs of the Company in a manner that is intended to promote the success of the Company for the benefit of its shareholders and in a manner that is consistent with its constitution, applicable regulatory requirements and current corporate governance practice.

The primary function of the Board is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders by reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, financial performance reviews, and corporate governance practices.

Following its constitutional changes, the Board now has the ability to delegate certain governance responsibilities to Sub-Committees (including, Audit and Risk, HR/People, [others]) each of which will have clearly documented terms of reference. These committees are likely to include Independent NEDs to challenge constructively management’s decisions.

The Board delegates authority for the day-to-day management of the Company to the GCE under the terms of a Scheme of Delegation and the GCE works with their senior management team, the Executive Leadership Team, (“ELT”) to take and implement many of these decisions. The GCE is authorised, in turn, to delegate certain such responsibilities to their Chief Officers and Subsidiary Managing Directors under an Extended Scheme of Delegation.

The Company recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, Board members receive monthly financial and business reports from management. Such reports keep the Board members informed of the Company's and the Group's performance, position and prospects and consist of the consolidated profit and loss accounts, analysis of turnover, operating profit, pre-tax profit by operating segments compared against budgets, together with explanations for significant variances for the month and year-to-date. In addition, key financial information is collated from the Group’s various accounting systems. The Group’s finance function is appropriately qualified to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Financial information is currently externally audited by PKF Smith Cooper on an annual basis.

The Board also reviews legislation and regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements.

Principle 4: Opportunity and Risk

The Wates Principles state:

“A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.”

A long-term strategic plan, the 3-6-9 Strategy, identifying actual and potential opportunities is prepared by the GCE and ELT, updated and presented to the Board every year. Based on this and

drawing upon wider opportunities within the Group, the Board seeks to foster and promote such opportunities. Short-term opportunities to improve performance, resilience and liquidity are also actioned through a thorough Board level review.

The Company maintains effective and robust risk management and internal control systems as identified and more fully described in the Company's Risk Management Policy. By way of overview, this Policy identifies potential events or emerging issues that may affect the Company and the Group, manages risks within agreed risk appetite limits and provides reasonable assurance regarding the achievement of organisational objectives. The Board has oversight of all aspects of risk and accountability to stakeholders.

Risk Registers are maintained by the Company at Group and Subsidiary level. Whilst each Risk Register is a "live" document capable of being updated at any time, regular quarterly reviews and updates are undertaken by the Company and each business/Subsidiary.

Overall responsibility is delegated to an internal Risk Group to monitor and review these processes which are designed to determine the nature and extent of principal risks, the appropriate response in line with the accepted level of risk and update the current level of perceived risk against an "ideal" target level for the Group and relevant business/Subsidiary. Risk is essentially embedded throughout the organisation.

The Risk Group meets with ELT to review each of the Group's principal risks and consider any emerging risks. Each of the principal risks as defined are owned by individual ELT members and actioned by the most appropriate member(s) of that business. The defined risks are accompanied by a list of mitigation actions which are described in terms of activities undertaken and updated following each review.

Prior to each quarterly Board meeting, the Company Secretary prepares a dashboard which summarises the Group's exposure, what is in place to manage the risk and planned further measures for each meeting. A summary report is provided to the Board reporting on changes to the Group's risk profile at this meeting.

Principle 5: Remuneration Matters

The Wates Principles state:

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The Company, through the GCE and ELT, seeks to ensure a formal and transparent procedure for developing policies on remuneration and for fixing the remuneration packages of key management personnel. The Company is an active equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

The GCE has delegated authority concerning the Group's remuneration strategy, recruitment framework and long-term incentive plans for senior executives. In doing so, the GCE may take advice from independent external consultants who provide updates on legislative requirements, best market practice and remuneration benchmarking, drawing on evidence from across the sectors in which the Company operates and from other sectors.

With the exception of the GCE, who is employed by the Company, executive Directors do not receive directors' fees.

Principle 6: Stakeholders Relationship and Engagement

The Wates Principles state:

“Directors should foster effective stakeholder relationships aligned to the company’s purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.”

The Company has a broad stakeholder base and is mindful of, and constantly seeks to lessen, its (and that of its stakeholders’) impact on the climate and the environment. “Stakeholders” include our delivery partners, clients and end users, employees, suppliers and Shareholders. The Board promotes accountability and transparency with all external stakeholders and is committed to social responsibility, community engagement and environmental sustainability. This is achieved through its commitment to alleviating climate change’ including through carbon reduction, and ensuring the safety, health and wellbeing of everyone who works with us; and seeking new ways to ensure sustainability.

The Company’s aim, for all members of staff and applicants for employment, is to fit the qualifications, aptitude and ability of everyone to the appropriate job and to provide equal opportunity regardless of sex, religion or ethnic origin. Training is through both external courses and on the job training. It is Group policy that career development and promotion opportunities should be available to all employees.

The Company is committed to providing the best service to its clients and proactively engages with them in discussion, consultation and support prior to, during and post call-off from the Group’s suite of products and services. The Company similarly maintains close liaison with its delivery partners and suppliers.

In order to ensure close liaison and consultation between the Board and Shareholders, whilst at the same time maintaining the separation of their respective functions, a Shareholder Oversight Board (“SOB”) was set up as part of the recent constitutional changes within the Company and comprises representatives from each of the shareholding local authorities.

The SOB meets on a quarterly basis on the same day as the Board and is informed by the GCE and Company Secretary as to such matters as the Shareholders’ utilisation of the Company’s services, attainment of key performance indicators, Shareholders Consent Matters, Shareholder funding and strategic opportunities. SOB members can consult and liaise with the Shareholder’s appointed Director at any time by mutual arrangement and before Board Meetings. This process allows Directors to develop an understanding of the views of their Shareholder and enables the Board to judge whether the Shareholder has a sufficient understanding of the Company’s strategic objectives.

The SOB is briefed by the GCE, Chair and Company Secretary as to relevant outcomes from the Board meeting.

Approved by the Board of Directors and signed on behalf of the Board by the GCE

A handwritten signature in black ink, appearing to read "Mark Robinson".

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Mark Robinson

Group Chief Executive

4th November 2024

